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Malik, Rabea

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RECOUP Working Paper 6

Aid Effectiveness and the Role of Donor Intervention in the Education Sector in Pakistan – a Review of Issues and Literature

Rabea Malik

Mahbub Ul Haq Human Development Centre

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**Aid Effectiveness and the Role of Donor Intervention in the Education Sector in Pakistan –
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Mahbub Ul Haq Human Development Centre

Abstract

This paper summarises the evolution of education policy in Pakistan over the past two decades and provides a preliminary assessment of the role of donors in this process. It shows that educational outcomes have been consistently poor, relative both to other countries and to the government's own policy targets. The paper argues that with the shift of aid modalities away from projects towards sectoral programmes and, more recently, budget support, the direct impact of financial aid on educational outcomes has become more difficult to trace. Nevertheless – not withstanding some successes - the generally poor performance of the education sector does not provide obvious evidence for aid's beneficial effects.

Correspondence: Rabea Malik, Research Fellow, Mahbub ul Haq Human Development Centre, 42 Embassy Road, G-6/3, Islamabad, Pakistan. Telephone: + 92 51 227 1228/1608
Email: info@mhhdc.org

1. Introduction

This paper makes a first attempt to examine the impact of donor assistance (financial, technical and policy oriented support) on primary education outcomes in Pakistan. The discussion synthesises issues from international literature on development assistance to education. The political economy literature on the subject traces the influence donors have had in defining education policy discourse, nationally and internationally, ultimately shaping the outcomes of education sectors in recipient countries. The economics of education literature presents the various theories that drive the international political economy discourse of education.

The impact of development assistance on education outcomes entails assessing aid effectiveness and the role donors play in policy making. Aid effectiveness encompasses issues of money, delivery, efficient allocation and sustainability. Section 1 presents issues of education financing and arguments for why financial aid was necessary for developing countries. The section briefly reviews statistics relating to international financing in Pakistan. Section 2 presents an overview of literature on the education sector in Pakistan. A brief historical look at education policies reveals disconnected targets and expenditures, inconsistencies in policy evolution, failure of monitoring and accountability and lack of management information systems to inform policy development. Section 3 focuses upon aid effectiveness, reviewing the impact aid has on outcomes of education by analyzing the various channels through which it could impact education outcomes. Section 4 concludes.

2. Education Financing

The provision and financing of education, especially primary education, is a responsibility of the public sector. Reasons for this range from the impact of market imperfections, the differences between social and private returns which result in sub-optimal investment in education, and the role of education as a merit good which justifies support over and above private individuals judgment to be necessary for themselves or their children. As a result, education at the primary level around the world is government funded. Levels and systems of financing are linked to outcomes of education. International literature on education financing indicates that some of the more important constraints to primary school enrolment, attendance and completion can be addressed through public spending on schooling. These constraints include distances from home to school, poor school quality, prohibitive private unit costs etc. “Increased expenditures can help to improve school availability and quality; they can, by substituting for fees and other charges, reduce the level and incidence of direct private costs; and under some circumstances, they can more directly alleviate the income constraints of poorer households.” (Colclough et. al., 2003)¹.

¹ It is important to note that the theory and discourse on trends in development assistance, aid effectiveness and their relationship with outcomes of primary education is informed by and focused particularly upon Sub-Saharan Africa. Given the differences in demographics, culture, religion, politics and economics between South Asia and countries in SSA, all lessons need to be incorporated with some caution. Having said that, the purpose of this literature review is to focus primarily on issues rather than results.

Developing country governments spend absolutely (and sometimes proportionately - relative to GNP) less on education than those in developed countries. Lack of adequate financing is an important hurdle for achieving education sector targets. The issue of resource availability underlies the development assistance debate. There is the question of whether or not developing countries have enough resources or the requisite resource generating capability to meet the gap. On the other hand, lack of political commitment and conflicting priorities result in misallocation of existing resources. International development discourse and policy development has addressed both. The World Education Conference at Dakar in 2000 in addition to setting international goals for the education sectors in the developing countries also firmly established the commitment by the international community not to allow lack of resources to stand in the way of achieving set goals. Subsequently, aid was tied to policy initiatives to encourage the fiscal arrangements required to ensure governments spent enough and in the right place to meet international education targets.

The constitution of Pakistan treats primary education as a right conditioned by the availability of resources. Article 37 of the Principles of Policy, asserts that 'the state shall remove illiteracy and provide free and compulsory secondary education within minimum possible period'. Thus the responsibility to provide free and compulsory education, conditional though it might be, falls on the public sector. The government is also signatory to the UN Convention on Child's Rights 1989, the MDG and EFA goals. Ensuring adequate levels of public spending for the education sector is part of the commitments. Despite these commitments public spending on education in Pakistan has always been low. Resource allocation to the sector has declined from 3 per cent of GDP in 1990 to 2 per cent in 2004 (WDI, 2006). In Pakistan, there is a particular need to focus on public sector supply-side issues- adequacy, efficiency and levels of financing. In theory, systems of educational finance are judged on whether they lead to an adequate, efficient and equitable provision of educational services (Benson, 1995).

Adequacy: Adequacy of resource allocation is one criterion for judging systems of educational finance. In terms of resources, adequacy is traditionally defined in terms of the portion of GNP allocated to education and the share of central government's budget spent on education. Since the 1970s the adequacy measures have become more concerned with output targets rather than expenditure targets. Now found on the list of adequacy criteria are variables such as the proportion of relevant age group enrolled in primary schools, gender differentials in enrolment, secondary as well as primary school enrolments and adult literacy rates. In addition, to ensure universal enrolment, sufficient retention and quality of instruction, the balance of teacher supply as between urban and rural areas is important. The objectives also require commitment on the part of the teachers. Hence levels of public financing should be adequate enough to ensure these criteria are met. A recent study by the Ministry of Education, Pakistan has acknowledged that if EFA goals were to be met, budgetary allocation to the education sector would need to be raised to 4 per cent of GDP (GoP, 2003).

Cost Effectiveness: The other issue is how effectively the money is spent. Central governments need, through adjusting expenditures, to ensure the efficiency of local policy (Benson, 1995). Efficiency

is usually judged in terms of cost effectiveness. Cost effectiveness refers to the yield of educational outputs relative to consumption of real resources by educational institutions. Benson stresses the importance of judging how efforts to raise cost effectiveness are reflected in the government's financial policy. Indications of lapses from an acceptable standard of efficiency include a) excessive rate of student wastage, b) excessive rate of repetition and c) high rate of student failure. The government can address these problems using financial incentives but requires good management information systems and freedom from political influence. Pasha et al. (1994) examine cost effectiveness of the primary education sector in Pakistan and conclude that the increasing trends in costs are explained by recurring teacher costs, school construction costs and a cost ineffective utilisation of existing resources (human and infrastructure). They argue that, given that the number of teachers is substantially below the optimal level, a shift in allocation of funds from construction to teacher employment will increase cost effectiveness.

The resource gap

There is general agreement on the view that developing countries continue to need external financial and technical assistance. The amount and nature of assistance is a country-specific question. Colclough with Lewin (1993), using country-specific data, estimated that an additional US\$2.5bn per year (1990 prices) would be needed to enrol all primary-aged children in school by the year 2005. Subsequent estimates, using a similar methodology, have been prepared, with the latest versions indicating that an additional US\$10bn of aid (2005 prices) is now likely to be required each year to 2015, if EFA is to be achieved by that date. As to the costs in Pakistan, a study by the Ministry of Education calculates the total cost of providing physical infrastructure and technical inputs (teacher training and recurrent inputs) based on estimates of future total population of school going children (girls and boys) in rural and urban areas. The costs of improvements in the quality of education are also estimated by incorporating components of teachers training, curriculum development and improvements in examination systems and supervision. Projections of available budgetary resources are based on the current proportional allocation of GNP to the social sector as well as provincial allocations to education. The resulting financial gap is the difference between the estimated costs and projected resource availability.

Table 1: Resource gap affecting the achievement of EFA targets for primary education, adult literacy and early childhood education

| | |
|---|------------------|
| Net Enrollment in Primary education by 2015 | 17.536 million |
| Cost of primary education provision for public sector (Rs. Million) | |
| Maintaining present participation rates | 582,300 |
| Financing additional students | 373,271 |
| Total Cost of Primary education provision for the public sector | 955,571 |
| Cost of achieving 86 per cent literacy rates | 208,197 |
| Cost of achieving 50 per cent participation rates for early childhood education | 48,329 |
| Total Cost of achieving EFA Objectives by 2015/16 | 1,212,097 |

| | |
|---|----------------|
| Budget Resources available in 2015/16 (Rs. Million) | 786,005 |
| Resource Gap (Rs. Million) | 426,092 |

Source: Government of Pakistan, 2003. Financing Education in Pakistan – An Estimation of Required and Available Resources to Achieve EFA Goals.

Based on this calculus (Table 1) the study estimates the average annual cost of achieving universal primary education (UPE), adult literacy and early childhood education targets by 2015 to be Rs. 1,212,097 million (US\$ 20,900 million)². The resources available over the next 13 years are Rs.786,005 (US \$13,551) million resulting in a resource gap of 426,092 million (US\$ 7,346 million) If these calculations are correct, it is clear that Pakistan will, in addition to increasing public sector allocations to the education sector, require substantial foreign assistance if the EFA goals are to be met.

Foreign Aid to Education in Pakistan

The public sector resource gap is also widely recognised as a reason for dismal education outcomes, and financing this gap is a *raison d'être* for donor involvement with the education sector in Pakistan. While Pakistan is not as aid-dependent as some of the African countries, foreign aid - both multilateral and bilateral - makes up a significant proportion of resources being allocated to the social sectors and their development in Pakistan. Pakistan is seventh in a list of twenty countries receiving the highest absolute amounts of aid for education over the period 2003-04. Pakistan received US\$ 150.4 million as aid for its education sector in the year 2003. China leads the list with US \$826.2 m in receipts, followed by Bangladesh (US\$ 516m) and India (US\$ 472.1m) (UNESCO, 2007). It is interesting to note however that though India receives more aid than Pakistan for its education sector, Pakistan is the more aid dependent country.

Table 2: Aid Dependency - Aid as percentage of Total Government Expenditure

| | 1999 | 2004 |
|----------|------|------|
| Ghana | .. | 73.2 |
| India | 2.2 | 0.6 |
| Kenya | 13.4 | .. |
| Pakistan | 6.5 | 10.2 |
| Senegal | 91 | .. |

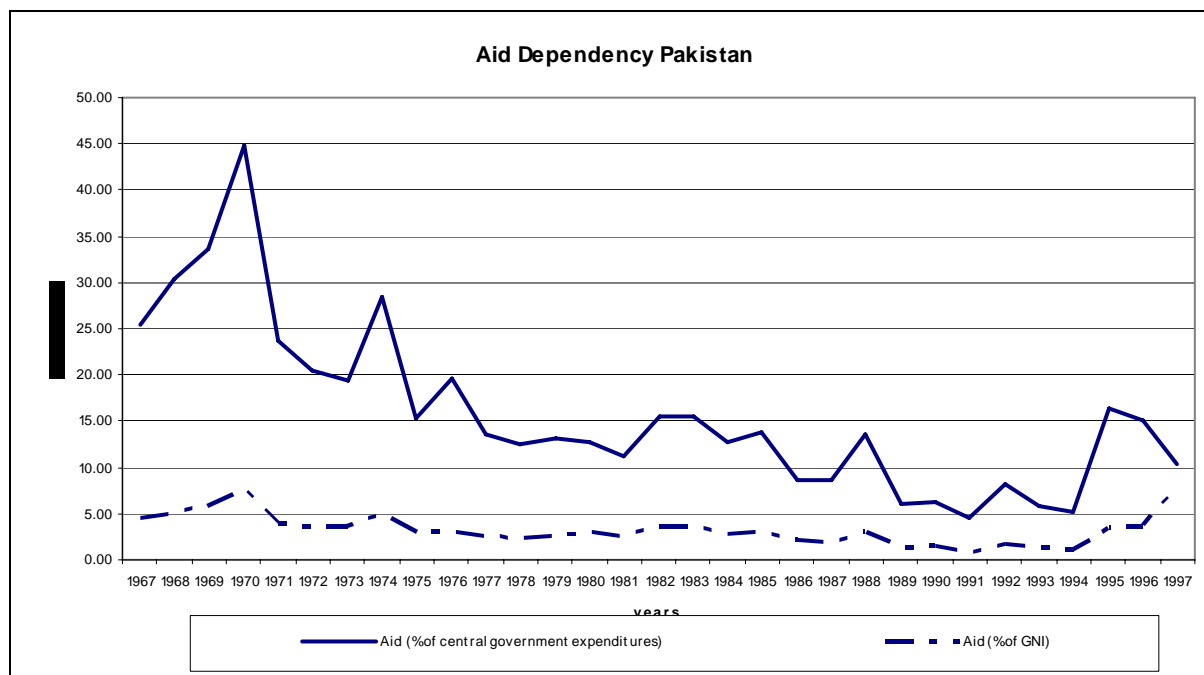
Source: World Bank (2007)

Levels of foreign aid have fluctuated over the decades, reflecting changes in domestic and international political climates and resulting in varying degrees of aid dependency for Pakistan. A historical trend of aid flows as a percentage of central government expenditure reveals that foreign aid accounted for as much as 45 per cent of total central government expenditure in 1973. Reliance on aid

² The cost estimates by the GoP for UPE, included in the cost estimates for EFA goals, are US\$ 495 million. Estimates by international agencies: UNICEF (US\$ 790.38m); UNESCO (US\$394.91m); World Bank (US\$660.69m). If issues of quality are considered the cost increases and is closer to the estimate presented in the table. (GoP, 2003) .

reduced somewhat in the following decades with foreign aid accounting for between 10 and 20 per cent of central government expenditure during the 1980s, and falling to between 5 and 10 per cent during the 1990s. This trend is being reversed again since 2001 with foreign aid making up a little more than 15 per cent of central government expenditure. While the increased inflow of foreign resources is mainly attributable to the international response to the devastating earthquake in 2001, overall aid levels since have also increased as compared to the preceding two decades.

Figure 1: Trends in Aid flows to Pakistan



Source: World Bank, World Development Indicators, 2004 (Primary Sources: Geographical Distribution of Financial Flows to Aid Recipients, Development Cooperation Report. OECD International Development Statistics)
 Note: Ratios of aid to GNI and government spending provide a measure of the recipient country's dependency on aid. Aid dependency ratios reveal as much about a donor's interest as they do about a recipient's needs. Aid includes Official Development Assistance (ODA) and official aid. The data covers loans and grants from Development Assistance Committee (DAC) member countries, multilateral organisations and non-DAC donors. Aid Dependency ratios are calculated using values in US dollars converted at official exchange rates.

Pakistan has eight bilateral donors channelling resources to its education sector, making it one of 11 countries with more than seven bilateral donors. Table 3 is a list of some of the larger donors active in the education sector Pakistan. These figures are taken from the donor's directory compiled by the Govt. of Pakistan and documents donor activity since the late nineties. The Asian Development Bank (ADB) is currently the largest donor in education in Pakistan, followed by the World Bank and USAID. Although UNESCO's financial contribution is comparatively little, the organization is a significant player in the areas of vocational and technical training, teacher training and building partnerships with NGOs for service delivery.

Table 3: Financial Assistance for Pakistan's Education Sector ³

| Agency | Coverage | Year | Amount (US \$ millions) | Modality | Type of Organisation |
|---|-----------------------------------|---------|-------------------------|----------|----------------------|
| Asian Development Bank | National | 2002-11 | 815.853 | Loan | Multilateral |
| The World Bank | Sindh, Punjab and NWFP | 2005-09 | 325.00 | Loan | Multilateral |
| USAID | Sindh and Balochistan | 2002-06 | 213.971 | Grants | Bilateral |
| Canadian International Development Agency | National | 2005-11 | 130 | Grant | Bilateral |
| EC | Sindh and Northern Areas | 2004-12 | 110.368 | Grant | Bilateral |
| World Food Program | 34 poor districts/All provinces | 2004-08 | 52.00 | Grant | Multilateral |
| Islamic Development Bank | National and Karachi | 2002-06 | 35.240 | Loan | Multilateral |
| Aus Aid | 4 Provinces | 2003-09 | 31.7 | Grant | Bilateral |
| Norway (NORAD) | 6 Districts | 2002-08 | 23.9 | Grant | Bilateral |
| DFID | National | 2001-04 | 17.106 | Grant | Bilateral |
| JICA | National | 1997-06 | 14.7 | Grant | Bilateral |
| UNICEF | 23 Districts/All provinces | 2004-08 | 14.6 | Grant | Multilateral |
| GTZ | NWFP and Punjab | 2004-08 | 11.656 | Grant | Bilateral |
| ILO | National | 1999-06 | 11.427 | Grant | Multilateral |
| SCF-UK | 3 Districts | 2002-06 | 6.109 | Grant | Non-governmental |
| UNDP | 42 Districts | 2004-08 | 3.250 | Grant | Multilateral |
| UNFPA | 8 Districts and Azad Jamu Kashmir | 2004-08 | 1.600 | Grant | Multilateral |
| UNESCO | National | 2004-07 | 0.723 | Grant | Multilateral |

Source: GoP (2006). Donor's Directory. Ministry of Education

Asian Development Bank: ADB's interventions in the education sector go back to the late seventies. The interventions, classified as program support, are mostly project-based. The predominant modality is budget support. Financial assistance to the government of Pakistan is through loans. The assistance is structured so the government puts in a specific proportion of the finances for each project while the rest is provided by ADB. While the proportion varies with different projects, ADB has funded up to 80 per cent of particular projects at one time. Recently the government's funds make up a higher proportion of total project funding. Unlike the shifts in world bank's policy foci, ADB's policy has been fairly consistent over the decades with projects spanning most sub-sectors of the education sector

³ The data on donor's assistance is a summary of funds being channelled toward the education sector. The compiled information covers only the post 2000 period for most donors. A detailed review of aid flows and budget allocations for Pakistan's sector is outside the scope of the literature review but will be covered in a separate paper.

including primary, secondary, technical and vocational training (Table 4). Project interventions aim at quality control in service delivery, teacher training, infrastructure development and improvement of facilities in addition to organizational management and planning. All projects have a federal and a provincial component for each of the four provinces: the loan agreement is at the federal level and the project agreement at the provincial level. Project coverage is national unless a province opts out of a project or is left out for a specific reason (e.g. a girls secondary school project was not implemented in Punjab because the World Bank had a similar ongoing project in the province). Project design and their implementation mechanisms have evolved over time. In the beginning a single project design was implemented across the four provinces. Recently project design and implementation has become more province specific, with greater role given to the district and provincial governments in project design and implementation.

The Devolved Social Services Program, started in 2003, is a broad based budgetary support program with interventions in education, health and water and sanitation. Chosen districts from each province design their annual sector plans, choosing the particular social sub-sector needed to be prioritized. Once approved the funding then flows from the provinces to the districts that are ultimately responsible for implementing the program. This evolutionary change has increased the role of the districts in policy and decision-making and is aimed at improving outcomes through greater ownership.

The Department for International Development (DFID): UK provides both financial and technical assistance to the education sector in Pakistan. DFID's aid to Pakistan has risen dramatically since 2001. Annual support from DFID in the nineties averaged 20-25 million pounds. This increased to 70 million pounds a year in 2002 –2003 and is expected to rise to 90 million pounds by the end of 2008⁴. Although at present most of the large scale commitments are negotiated with the federal government, DFID is looking to increase interaction with provincial and district governments with regard to program planning and implementation. Until 2005/06, DFID interventions in the education sector have been restricted to project support mainly in Punjab and NWFP.

The choice of aid instruments is subject to evolving donor-government relationships and policy developments. Recently DFID has shifted to program and budget support. The budget support is designed so it “underpins devolution reforms and especially fiscal decentralization”⁵. This means that by dealing directly with the provinces, DFID (and other donors) will be giving the lower tiers of government more autonomy over resource allocation and making aid more fungible. The department also works with non-governmental civil society organizations to improve social service delivery and increase community participation thus encouraging public-private partnerships in the education sector.

World Bank: The Bank's assistance to the education sector evolved in four phases. During the early 70s, they concentrated on vocational and higher education projects. In the late seventies, as

⁴ DFID. 2005. Pakistan Country Assistance Plan 2005-07. available at: <http://www.dfid.gov.uk/pubs/files/cappakistan.pdf>

⁵ DFID. 2005. Pakistan Country Assistance Plan 2005-07. available at: <http://www.dfid.gov.uk/pubs/files/cappakistan.pdf>

financial and administrative support shifted towards primary education projects reflecting the view that primary education carried the highest social rate of return, experimental primary education projects were supported in a number of districts throughout the country. The third phase began in 1985 with increased emphasis on province-based primary education projects. During this time the Bank focused its efforts and resources towards one province in particular – Punjab. In the 1990s the bank entered its fourth phase of aid policy evolution. Maintaining its focus on primary education the bank shifted its support from isolated project inputs in various locations all over the country to province-based sectoral programs. Table 4 provides a broader snapshot of the various donors involved with education in Pakistan.

Table 4: Project Details

| Project | Funding | Date | Area of Support |
|---|----------------|-----------------|---|
| ADB (US \$ millions) | | | |
| Middle School Project | 34.413 | Dec 93- Mar 04 | Improved access and quality of middle school education; strengthen planning and management |
| Technical Education Project | 36.961 | Sep 95 – Jun 04 | Upgrading facilities; improving quality and relevance; promoting private sector participation |
| Second Girls Education Project | 37.268 | Aug 96 – Mar 05 | Improved access and quality through community model schools |
| Second Science Education Sector Project | 41.018 | Aug 96 – Mar 05 | Increased number of grade 10 science graduates |
| Decentralized Elementary Education Project (Sindh) | 81.305 | Sep 02 – Jun 09 | Improved access to decentralized elementary education for girls in rural areas |
| Restructuring of Technical and Vocational Training System (Balochistan) | 15.650 | Dec 04 – Apr 11 | Skills development and technical education reform |
| Restructuring of Technical and Vocational Training System (NWFP) | 10.376 | Dec 04- Apr 11 | As above |
| Sindh Devolved Social Services Program | 219.510 | Dec 03- Aug 07 | Improving basic school conditions; institutionalizing district planning for education development |
| Punjab Devolved Social Services Program | 138.970 | Dec 04- Mar 08 | Improving secondary education system; institutionalizing district planning and management |
| Balochistan Devolved Social Services Program | 199.912 | Dec 05 – Dec 09 | Improving basic education; institutionalizing district planning and management |
| World Bank (US \$ millions) | | | |
| Second and Third Punjab | 200 | 2005 and 2006 | Education quality; governance; access; devolution support; improving public sector financing |

| | | | |
|---|--------------------------------|---------------|---|
| Education Sector Development Policy Credit | | | |
| National Education Systems Assessment | 3.63 | 2003-08 | Education quality – student’s learning assessment |
| Balochistan Elementary Education Project | 20 | 2006-09 | Elementary education, public private partnerships, community schools, teacher training, donor coordination |
| NWFP Human Development Policy | .. | 2007 | Improving enrollment, gender equity |
| Sindh Education Development Policy Credit | Under discussion | To be decided | Quality, access and sector governance |
| DFID | | | |
| National Educational Assessment System | 700,000 (co-financing with WB) | 2003-2008 | Education quality, student learning assessment |
| Center for Higher Education Transformation | 100,000 | | Facilitation of higher education transformation at the national policy and university levels |
| Increasing Community Participation in Education – Azad Kashir | 550,000 | | Support community participation in education in quake hit areas – Muzaffarad, Bagh and Koti districts |
| UNDP | | | |
| Making the right of education a reality for all children | | | Primary Education interventions through governmental and non-governmental organizations/partners: Teacher Resource Centre (NGO) Deptt of Education and Literacy, Sindh (GoP) Deptt of Literacy and NFE, Punjab (GoP) Corporate Research Investigation, Islamabad (NGO) |
| Ensuring gender equality in EFA | | | Girls education - National Education Foundation, Federal Ministry of Education and Provisional Textbook boards. |
| Planning and implementation of on EFA | | | National planning and policy reform for EFA, strengthening the role of civil society. Partners: Bunyad Literacy and Community Council (NGO) Society for Advancement of Education (NGO) National Commission for Human Development (GoP) Pakistan Education Foundation Sindh Education Foundation Dept. of Special Education, Punjab University |
| Reforming Technical & Vocational | | | Focusing on promoting science and technical education for girls |

| | | | |
|-------------------------------------|--------|--|---|
| Education Training | | | |
| UNICEF | | | |
| Access to Primary Education Project | 14,600 | | Assist government's efforts in achieving 80per cent enrollment (by 2008) and completion education of girls in 20 districts. |

Source: GoP (2006). Donor's Directory. Ministry of Education

3. Education Policy and the role of Donor Intervention

Policy development and formulation is the other area of involvement for international donors. In the beginning, more than two decades ago, aid to education was delivered predominantly in the form of stand alone projects funded and implemented by various donors through international NGOs and/or the international development wings of various governments. The multilateral donors supported international and local NGOs. There was little coordination among the donors or with the governments in the recipient countries. Projects, were implemented as disconnected, but large scale efforts, aimed at directly impacting outcomes of education. It became clear, however, that bypassing the government systems of social service provision and ignoring the country specific contexts was compromising the effectiveness of aid delivery in developing countries. Developing countries needed extensive policy reform not only in the education sector but in all related sectors also.

More recently, provision of external funding to the education sector has increasingly been made conditional upon the introduction of efficiency reforms that include reducing unit costs of primary education, making better use of the private sector, introducing standardized testing regimes and decentralising control. One drawback is that this discourse may provide little help in situations that lack good governance, where there are weak or corrupt states. In these circumstances, there is a disconnect between the theoretical assumptions required to make the policies advocated by the donors work and the real political and institutional situation in many developing countries.

International best practices in education policy are not the only influence. Financial assistance is linked to broader political and economic agendas. Multilateral and bilateral institutions affect policy change in developing countries by tying financial assistance packages to progress made on development goals and to the introduction of social sector reform processes. Policy documents such as Poverty Reduction Strategy Papers (PRSPs), Medium Term Development Frameworks (MTEFs), Annual Operating Plans (AOPs) and Country Assessment Documents (CAS) reflect the priorities of the donor community. Sector specific assistance discourse in recipient countries mirrors the general development assistance discourse.

The primary reason for involvement of donors in education sectors in developing countries is a concern with disappointing outcomes. Demand side factors are significant in explaining low enrollment and literacy rates, gender biases etc. In a cross regional comparison Roberts (2003) shows that two-thirds of the variation in GER is explained by demand side factors (primarily adult literacy and per capita

income of the house hold). Sixty per cent of primary completion rates are explained by demand side factors. However, for Pakistan, judging by the findings of World Bank studies (1996, 1997) demand side factors are not significant explanations of low enrollment rates. Parental motivation for their children's education is high despite high fees in private schools and high non-fee expenditure in public schools. Opinion surveys conducted in Karachi and Lahore look at patterns of enrollments in private schools. Evidence from urban settings where there is a variety of school choice in a single geographical area is more telling and suggests that even poor households choose fee-charging schools over free or low fee government schools for their children (Gazdar, 1999). Similarly demand for community schools⁶ in Balochistan is high, signalling parental motivation, enrollment rates for girls increased phenomenally, approaching 90 per cent in areas with community schools as opposed to the 20 per cent provincial average. The policy implication is that supply side of schooling particularly public schooling needs investigation for clues to low enrolment⁷. The fact that the poor have expressed willingness to pay for their children's education by choosing to send them to private rather than free (or heavily subsidized) public schools suggests that the public sector is not delivering a schooling experience which is acceptable, even for poorer households.

Education Policy Evolution in Pakistan

On the supply side, apart from levels and systems of financing, the other tier of analysis deals with education policy. Policy initiatives in education in Pakistan have come in the form of policy packages of sorts put together every five years with a review at the end of every term. There have been eight five-year plans to date in addition to, sometimes overlapping, national policy directives. There have been four national education policy documents (1970, 19972-80, 1992 and 1998-2010). A brief historical look at the policy targets and outcomes reveals disconnected targets and expenditures, inconsistencies in policy evolution, failure of monitoring and accountability and lack of management information systems to inform the policy debate and development (See Table 5)⁸.

The most obvious trend emerging from the timeline is a consistent lack of achievement of policy targets set (see column on outputs). The government in its own evaluations has noted the failure of a number of five-year plans to achieve targets set. All plans and policies, with the exception of the Second Five-Year Plan, have failed to achieve the targets set out at their inception. The Seventh Five-Year Plan in 1985 noted that infrastructure targets of requisite classrooms, facilities and shelters had not been met forty years on. Universal enrolment targets originally to be achieved by 1985 are unmet more than twenty

⁶ Community schools are established in rural communities that have no girls' school within a radius of 2km and are able to enrol from within the community at least 20 children. These community schools are set up as subsidised formal private schools but differ from low cost private schools.

⁷ The other policy implication is for public, private partnerships (PPPs) - the theory, empirics and Pakistan specific issues for which are discussed in a later section of the literature review.

⁸ A more detailed evaluation of policy priorities by mapping resource allocations to sectors and subsectors is outside the scope of this paper. That is to be covered in a subsequent paper on the role and importance of aid to education in Pakistan.

years later. The same is true with literacy targets. Teacher training, quality of instruction and curriculum reform remain formidable challenges.

Table 5: History of Policy Making in Pakistan

| Policy | Targets | Outcomes |
|---|---|---|
| 1951-1957 National Plan of Educational Development | Free and compulsory system of primary education by 1975-80: 500,000 people to be made literate in 1955. Additional 300,000 for every year after that. Enrolment of 66.7 per cent of the out of school children (b/w ages 6 and 11) by 1957. Establishment of 24000 primary schools with a capacity of 3.7 million to that end. Making 2.7 adults literate every year through Village Agricultural and Industrial Development Program (V-AID). | The literacy rate declined from 16.4 per cent in 1951 to 16.3 per cent in 1957. |
| First Five-Year Plan: 1955 –1960 | Reaffirmation of standing literacy targets. 4000 new primary schools. More schools under the V-AID program. No. of trained primary school teachers to increase 75,000 to 118,500 (from 65 to 85per cent) Raise gross primary enrolment rate from 43 per cent to 49 per cent (additional 1 million children) through said initiatives. | Primary enrolment did not increase as anticipated. Additional 440,000 children enrolled by 1960. 2400 of 4000 planned primary schools built. No increase in number of trained primary teachers. Established an organisational system of management for primary schools. Elected district advisory boards to -provide school buildings -aid teacher selection -supplement school supplies and learning materials. The quality and content of primary school teaching remained poor through lack of proper training and curriculum development respectively. |
| Second Five-Year Plan: 1960-65 | Target of 50 per cent primary school enrolment by 1965. Additional 15,200 schools to be built. 1.2 million children to be enrolled. | Allocated 66 per cent of total 5-year social sector outlays to primary education representing a five-fold increase over the first plan. 2 million children enrolled raising primary enrolment rate to more than 56per cent. |
| Third Five-Year Plan: 1965-1970 | Increase primary enrolment rate from 45 to 70 per cent by 1970. This meant an additional 2.8 million children in primary schools by 1970. 42,500 new schools to be set up in west Pakistan. | Allocated 5.1 per cent of total 5-year social sector outlay to primary education which amounted to Rs. 2652 million. |

| | | |
|---------------------------------------|---|--|
| National Education Policy: 1972 – 80. | <p>Infrastructure development – 61000 new schools,</p> <p>Quality improvement – Train 150,000 teachers, recruit 75000 new ones.</p> <p>Literacy – 276000 literacy centres</p> | The policy was not adopted till 1977, by which time the new five-year plan had been launched. The egalitarian principles were dropped from the text of the new policy. |
| Fifth Five-Year Plan: 1978 – 83 | <p>Raise over all (33 per cent of development expenditure) and per capita expenditure (Rs. 43 to Rs. 88) on primary education by 1983.</p> <p>Reduce drop out rate from 50 to 40 per cent by 1983.</p> <p>Infrastructure development targets included residential units for teachers in rural areas.</p> <p>Increase outlay on education from 2 per cent to 3.1 per cent of GNP by 1982.</p> | <p>National Education Policy 1979 came out a year later overtaking the fifth plan and moving target dates forward by five years.</p> <p>Despite increased investment, enrolment rates did not increase, participation rates declined from 54 per cent to 48 per cent in plan period.</p> <p>The share of education expenditure as proportion of GNP declined from 1.8 to 1.5 per cent.</p> |
| National Education Policy 1979. | <p>Achieve universal education for boys by 1987 and for girls by 1992</p> <p>60 per cent retention rate by 1983</p> <p>Reconstruct 17000 existing primary schools and 13000 new ones.</p> <p>1000 Village Workshop schools to impart training in vocational skills linked to rural community needs (carpentry, agriculture and masonry).</p> <p>1000 adult literacy centres.</p> <p>Raise literacy rates from 24 to 35 per cent by 1983 and 100 per cent by 2010.</p> | <p>Establishment of Literacy and Mass Education Commission, 1981 with a budget of Rs. 1.03 million in 1981. Literacy rates of 34 per cent were not observed until a decade after 1983. The budget was revised to Rs. 160.94 million in 1999.</p> |
| Sixth Five-Year Plan: 1983-88 | <p>Raise primary enrolment rate from 48 per cent to 75 per cent by 1988.</p> <p>Raise literacy rate from 26 to 33 per cent by 1986 under the National Literacy Plan. 500,000 people to be made literate in the first year at an estimated per capita cost of Rs. 147.</p> | <p>National literacy plan failed: 18000 people made literate in the first year at a per capita cost of Rs. 3000.</p> <p>A number of initiatives formal and non-formal followed in quick succession and failed to achieve targets.</p> |
| Seventh Five-Year Plan: 1988 – 93 | <p>Raise literacy rate to 40 per cent by 1993.</p> <p>Provide access to a school within a radius of 1.5 km to every child b/w ages 5 and 9 by 1992-93. Construct schools for every settlement of 500 people.</p> <p>School mapping exercise to ascertain extent of missing facilities.</p> | <p>1993-94:</p> <p>Literacy rate at 33 per cent at the end of the term.</p> <p>Primary level participation rates 70.82 (86.3 per cent for boys, 54.9 per cent for girls)</p> |

| | | |
|--------------------------------------|--|--|
| | <p>Primary Teaching Certificate (PTC) condition for primary sector teachings jobs removed.</p> <p>National Policy Directives 1992: Increase participation rate to 70 per cent by 2002</p> <p>All adult education programs to be shifted to NGOs supported through incentive grants.</p> | |
| Eighth Five-Year Plan: 1993-98 | <p>A primary school to be established for every settlement of 300 people. 65 per cent of new places were to be for girls</p> <p>Primary education made compulsory Enroll 5.5 million additional school children of which 3.4 million were to be girls.</p> <p>Raise participation rate for boys from 85 per cent to 96 per cent and that for girls from 54 per cent to 82 per cent.</p> <p>Increase literacy from 35 to 48 per cent.</p> | <p>Costs of implementation of the literacy campaigns revealed inefficiencies in design and implementation. Cost of making 1 person literate came to Rs. 1000.</p> <p>1997-98:</p> <p>Primary level participation rate: 77 per cent for boys 93 per cent, for girls 61 per cent.</p> <p>Literacy rate 40 per cent</p> |
| National Education Policy: 1998-2010 | <p>Policy targets those set out in various international agreements (1989 Conventions, EFA 1990 etc). Universal and compulsory education by 2000. Doubling literacy rates by 2000.</p> <p>Construction of 190,000 formal schools and 250,000 non-formal basic education Centres.</p> <p>Raise expenditure on education from 2.2 per cent of GNP to 4 per cent.</p> | <p>Literacy Rates</p> <p>2001-02: 45 per cent 2004-05: 53 per cent</p> <p>Primary level participation rate: 52 per cent</p> |

Source: Bengali, 1999. GoP, 1994; 1998; 2006

Note: Participation rates refer to net enrolment rates

The other major trend is an inconsistency in policy development. Targets set in one policy term were revoked or abandoned in the next only to reappear some years later with extended deadlines. Enrolment targets set in the third five-year plan reappeared in the sixth five-year plan to be achieved an additional 10 years later. The tenet of compulsory education that was dropped in the national education policy in 1972 was brought back in 1988 in the Seventh Five Year Plan. Non-formal education, categorically rejected by the seventh five-year plan for being ineffective and a waste of resources, was re-introduced in the education policy in 1992. Furthermore, policies did not complete their term often being overtaken by new or parallel policies resulting in resource wastage on multiple initiatives and organizational and management failures. Before the Sixth five-year plan could be completed, four other programs (National Literacy Plan, Iqra Pilot Project, Drop In Schools program and Nationwide literacy

program) with similar objectives but additional budgets were started in parallel. All four failed to achieve literacy targets.

The Second Five-Year Plan was significant in its allocation of resources to primary education. Rs. 990 million allocation for the plan was 66per cent of total outlay for the social sector for five years. This resource allocation was indicative of the prioritization of primary education at the time. The policy document, noting the gender disparity in education outcomes (23per cent of out of school children were girls), addressed it directly by providing additional support for girls enrolment and making separate facilities available for them to improve outcomes. The success of the Second Five-Year Plan in its target achievement was attributed to the additional resources allocated. The Third Plan (1965 – 70) more than doubled the resources (in absolute terms) to primary education, allocating Rs.2652 million to the sector (this made up 5.1per cent of the total social sector outlay for the plan).⁹ The Fifth Five-Year Plan allocated 33per cent of development expenditure for primary education (1.4 billion Rs.) and proposed to raise per capita expenditure by the end of policy term.

Primary education remained a policy priority for a number of years with the main focus being on improving and maintaining enrolment. Initiatives were also taken to bridge the rural-urban divide as well as the gender gap in education outcomes, for example infrastructure development in rural areas and community schools for girls in rural areas. The quality of primary education was to be addressed through teacher training and curriculum development initiatives.

Adult education and adult literacy were to be pursued parallel to primary education targets through both formal and informal initiatives. These included the establishment of literacy centres under the Village Agricultural and Industrial Development Program (V-AID) in the 1950s. When these failed to work, non-formal arrangements, including students educating their own parents, the use of undergraduate college students as adult literacy teachers, and one adult literate to teach other adults were tried. Adult literacy reappeared in policy documents again in the 1980s with the 10 point program that outlined a number of initiatives addressing adult literacy in particular (See Table 5). The national literacy plan in the mid eighties set up a number of non-formal literacy advancement projects.

A new Education Policy introduced in 1992 made two significant changes to the earlier policy agendas. It reprioritised primary education by recognising the importance of the sub-sector in helping achieve overall human development targets and, additionally, allocating greater resources to this sub-sector. Secondly, the policy reemphasised the pre-eminence of formal education over non-formal methods. The policy was significant also in that it made basic education not just a sectoral target but part of a larger human development strategy. The policy shifted the majority of adult education programs and initiatives to non-governmental organizations to be supported through inventive grants from provincial and federal education foundations¹⁰. This was the second time the private sector was brought into the

⁹ Detailed analysis of resource allocation to the education sector is to follow in a separate paper on budget review of the education sector.

¹⁰ The role of provincial and federal education foundations and other public private arrangements in the social sector are covered in greater detail in the review 'public private partnerships in the education sector in Pakistan'.

fold of social sector provision at the behest of the government. Before this the education policy in 1972 'rented' the services of the private sector for provision of primary education. The policy had decreed that education up to 10th grade was to be made free in both public and private schools. Private schools were to be compensated by the government for its loss of fee income.

Evolution of Donor Support to Education

In 1990 the World Conference on Education for All, held in Jomtien, Thailand, signalled a growing intention on the parts of donor countries to stop direct intervention through stand-alone project support and move towards sector wide and budget support. Universal targets were set for outcomes in education. These targets were to be echoed by the later priorities set by the MDGs. A decade on from Jomtien, as the dates for achieving the targets neared, it became clear that extracting promises and commitments from developing country governments was not going to be sufficient. The discourse on donor intervention evolved to emphasize the need to provide substantial financial resources in addition to the technical assistance if the MDGs were to be met. In 2000, the international community revised the education targets at the Dakar Education Conference and committed itself to providing the necessary financial support to countries with viable plans for achieving EFA.

The discourse changed on two fronts – the targets and the nature of donor roles in achieving those targets. The policy focus during the 1990s had shifted from higher education and technical training to universal primary education. World Bank and other research had concluded that there were greater returns (primarily economic but some social) to primary education. As for the aid agencies, their support to the education sector in developing countries had so far come packaged as stand-alone projects with singular objectives. Their role had been considered limited to providing expertise and experience to developing countries where professional and technical manpower was the key bottleneck in the process of development (Roberts 2003). These stand-alone education projects did not yield the anticipated results and were considered too narrow to achieve any broad based lasting impact (Al Samarraï, Bennell & Colclough, 2002). The donor agencies and recipient governments quickly realised the need for crosscutting sectoral objectives and multipurpose project designs if education sector objectives and the broader poverty reduction goals were to be achieved. This meant the donors had to stop creating parallel service delivery mechanisms and concentrate on improving the existing structures and directing sectoral priorities. Part of the reason for this shift was also the increasing realization that the success of policy reform required actively accounting for the local context in all national policy recommendations and formulations.

Roberts (2003), in his analysis of the impact of aid policies on social service delivery in developing countries, notes some characteristics of recent donor policy packages:

- Extending primary education provision to poor and disadvantaged groups
- Raising demand by reducing costs – phasing out fees and other charges, reducing indirect cost of school attendance

- Reallocation of budget resources to primary education
- Improving learning environment – buildings, facilities, quality and efficiency of schools, supply of teaching materials, improvement in school management and organisation of classes.
- Better financial management in the administration of primary education – reducing waste, prevention of misallocation, cost effective and accountable public procurement
- Decentralisation of control to local authorities
- Management information systems for timely collection of performance data on education systems with the aim to raising standards in poorly performing schools.

Policy design in developing countries has reflected these changes. The Education Sector Reform Program 2001-2005 in Pakistan has integrated the EFA objectives and the relevant Millennium Development Goals and include in their targets literacy rates, net primary enrolment and secondary enrolment rates. The government's National Plan of Action (NPA) is focused on achieving universal primary education. National Education Assessment Systems (NEAS), being set up with assistance from the World Bank, aim for the first time to set up systems of evaluating and assessing learning achievements of students at primary (Class IV) and elementary (Class VIII) levels. The evaluations will provide feedback for enhancing quality of education and setting up minimum standards and improvements in curricula, teachers' education and training and examination (Birdsall et. al., 2005). All of these documents/official plans/policies exhibit the government's commitment to the internationally set goals and to their achievement. But the requisite levels of expenditure commitment have not been forthcoming (Husain et. al., 2003).

Social Action Program (SAP): The Social Action Program (SAP) was conceived with a sector wide approach in mind and though it did not strictly fall under this category, it is considered to be the first and only program closely to resemble a SWAP in Pakistan. The World Bank was the leading agency working on SAP together with a number of bilateral and multilateral donors. Apart from financing, the donors, led by the World Bank, were closely involved with planning, implementation and monitoring of projects. The countries complied Annual Operational Plans (AOPs) that marked the yearly progress of the various projects and ensured standards required for international financial assistance were being met. A Multi-donor support unit (MSU) was also established to help with donor coordination and to assist the government in interacting with international donors. The MSU was intended to have helped with monitoring and evaluation. The first loan in support of SAP (SAPP I) was for the period 1992/3-1997. Initially conceived as a three year program it was reformulated as a five year plan and incorporated into the Eighth Five Year Plan (1993-98).

The SAP, improving on the piecemeal approach of individual projects that came before, would cut across sectors and provinces would identify and address core problems and issues thus improving the implementation climate for all projects and programs. A World Bank report commenting on the

education sector, identified that all public primary education programs face similar programs across provinces (World Bank, 1998).

Weak planning and unrealistic objectives; inadequately projected resource requirements; unclear monitoring paths and indicators; too little attention to quality – less than 1 per cent resource allocation on non-salaried inputs like books; implementation plans misled by political objectives especially in the location choices for schools; recruitment bans and high absenteeism – schools in rural areas idle as teachers transfer themselves to urban areas; overly bureaucratic and duplicative administrative structures; lack of community and parental involvement.

The SAP tried to take account of all these issues and defined its purpose as:

- Increase absolute and relative funding for primary education (as well as other social sector components)
- Reducing gender and rural-urban disparities
- Greater decentralisation of education (health and sanitation) for expenditure management
- Increased private sector and NGO participation across all SAP sectors
- Adoption and implementation of sector specific policy reform measures

The SAP set expenditure targets for each sector with the intention of increasing social spending outlays and outcomes. Those sought for primary education included:

- i) Construction of new schools and renovation of existing ones with emphasis on girls schools
- ii) Recruitment of additional teachers with an emphasis on female teachers
- iii) Increased primary enrolment with focus on girls' enrolment

All external funds were used to reimburse a proportion of the operational expenditure of provincial departments (e.g. education) and federal ministries delivering SAP services through vertical programs. The SAP expenditure of a particular line agency (e.g. the expenditure of the Baluchistan Department of Education on primary education) was considered a sub-project. Expenditure was to be reimbursed if (i) it qualified as SAP expenditure and (ii) it fell within that approved by external funding agencies under the system of operating plans (AOPs which spelt out the proposed expenditure plan for the coming year).

The Asian Development Bank's Project completion report (ADB 2001) rated the project successful in increasing incremental SAP expenditure in social sectors, increasing girls' enrolment (other social sector targets in primary health and sanitation also registered improvement). SAPP I showed disappointing results in the education sector. While it succeeded in increasing expenditure outlay to the sector and some enrolment targets were met, it did not meet poverty reduction targets. The completion report notes also (i) the lack of willingness to implement reforms at lower levels of bureaucracy (ii) slow paced community empowerment (iii) deficiencies in monitoring (iv) weak institutional capacity (v) high staff turnover at the provincial level.

There was some progress made towards formalising community participation in the education sector through creation of School Management Communities (SMEs). The move remained ineffective in changing the system because the SMEs constituted mainly people nominated by the Department of Education and did not have the financial autonomy necessary for them to function independently.

The ADB evaluation (ADB, 2001) comments on two design assumptions found to be questionable: the assumption of a direct link between poor social sector outcomes and a low level of public funding was made without assessing whether existing levels of expenditure were adequate. The role of other causal factors, such as institutional constraints and governance, were ignored. Moreover, there was found to be no demonstrated link between proposed incremental funding (input) and additional service coverage.

The coordination of funding agencies, viewed as satisfactory by the donors and cumbersome by the government, was an issue that reflected the disconnect between government and donor perceptions. The complaint from the government was that high turnover in agency staff brought frequent changes, shifts in emphasis in policy dialogue and a lack of consistency and coherence. The size and frequency of the review missions brought a perception of micro-management and resulted in lack of focus on strategic issues.

SPDC evaluation of SAP cited two reasons for success: increased financial outlays and greater awareness of social development. There were however a large number of reasons for failure:

1. lack of cost-effectiveness, financial sustainability, accountability, community participation, approved guiding policies in health and education and cross-sector synergy
2. excessive staff transfers and absenteeism
3. failure to involve the private sector
4. unresponsive, unchanging institutional structures and administrative procedures

The evaluation while noting that SAP demonstrated that NGOs were not a panacea for social development, also observed that the private sector was demonstrably more accountable and responsive to the demands of service users. The evaluation also emphasised the non-sustainability of incremental SAP expenditure without increased revenues being forthcoming.

4. Impact of Aid on Outcomes of Education

Education outcomes in Pakistan have improved but not to the levels intended. Literacy rates increased from 33 per cent in 1993 to 53 per cent in 2003. Primary enrolment levels have increased from 12.7 million in 1993 to 21.3 million 2004. Net enrolment rates however have recorded a decline from 70 per cent to 52 per cent over the same ten year period¹¹. The gender gap in enrolments remain. Public spending on education, despite fluctuations, has remained stagnant at 2.1 per cent of GDP since 1993. The dismal investment, quality and target output of the education sector has sparked donor interest in

¹¹ This decline is partially attributable to adjustments in actual trends following the national census in 2001 which was conducted after a period of 17 years.

Pakistan and spawned debate about possible alternatives for education delivery. Development assistance has come in the form of concessional loans and grants to meet the resource gap, cited as the main reason for addressing the issues of quality, cost recovery and sustainability of partnership between the private sector and the government. Pakistan remains off track for achieving EFA targets, and the apparent objectives of aid have not been met. Resource allocation to education remains low at less than 2 per cent of GDP. Literacy and enrollment targets are unmet. Gender disparities in access and outcomes remain. The quality of education in public institutions in particular is low, there is a dearth of trained teachers and the curricula are outdated.

The conceptual link between aid and education outcomes is indirect and works through improvements in governance and policy, and changes in public sector fiscal behaviour. McGillivray (2000) analyses the impact of aid on public sector spending in Pakistan and finds it to be positively correlated with investment and consumption spending by the public sector. Khan and Hoshino (1992) find for less developed countries in South and South East Asia that loans and grants vary in their impact on fiscal behaviour of the recipient countries.

Given that the nature and mechanisms of each of the aid modalities vary, their impact on educational outcomes also works through varying channels and timelines. Project support was designed to be a short-term focused investment on one goal in a particular sub-sector of education. In Pakistan for example the earliest donor interventions came in the form of targeted projects that focused on very narrow sector-specific goals – constructing schools, training teachers, raising girls enrolments etc. Their impact on educational outcomes was more direct and less complicated with visible/tangible inputs and outputs. There is limited literature and research, other than donor assessments of particular projects (which assess the impact of the project in the limited geographical area and time period of implementation) that attempts to assess the broad based impact financial aid to education has had in Pakistan. In theory general budget support (GBS) is designed to increase government control. In theory GBS will have a positive transformative effect on governance manifested through:

- Reduced transaction costs of financing for development assistance
- Increased allocative efficiency in public spending
- Increased predictability of public spending
- Increased effectiveness of the state and public administration
- Strengthening of democratic accountability

With budget support becoming the modality of choice for the larger international donors the impact of public funding and aid is harder to distinguish as government spending and donor spending is indistinguishable. In these circumstances to judge aid effectiveness is to judge public service delivery mechanisms and absorptive capacity. Having said that, attributing good or bad education outcomes to domestic or donor spending remains a non-trivial problem.

Assessing the impact of development assistance on education outcomes entails assessing the impact of policies being encouraged, directly through political influence indirectly through incentives and designs of aid policies, by international donors.

An overly centralised system of governance implies excessive bureaucratic delay in decision-making and incapacity to account for local needs and desirable practices. Complete decentralisation on the other hand “destroys the capacity of central governments to direct local authorities to meet the long run national requirements” in addition to leaving the local finance needs to be solely determined by local financial resources. “Given that localities often show vast differences in fiscal capacity, the result is likely to be a situation where some children receive more than adequate care while others are taught in shacks by untrained teachers, working in large groups and lacking instructional materials.” (Benson, 1995, p. 410) A mixed system of provision requires the existence of both central and local powers and a financial arrangement between the two referred to as “intergovernmental fiscal relations” – the larger unit transfers funds to the smaller unit directly in accordance with the needs of the students of the smaller unit and inversely with regard to the fiscal capacity of the smaller unit of governance. Easterly (2001), in a study of Pakistan as a case for growth without development, argues that the elite in Pakistan enforce their preferences on under-investment in human capital by keeping social service delivery highly centralised with all decisions on resource-allocation being taken at the top.

Research in Pakistan has been mapping the progress of decentralisation and noting its impact on the changing structure (political and financial) of social service delivery mechanisms (See Watson & Khan, 2005 and Masroor & Smith 2004). Most of this research is donor-assisted. Its depth is limited and the education sector features as one of many aspects rather than being a main focus of analysis. The main problems cited by the research done in Pakistan are: inefficiency, lack of accountability and low quality (teacher absenteeism, ghost schools etc). Devolving authority to local governments is proposed as a panacea for the ailing primary education sector in Pakistan. It increases flexibility and accountability. Capacity building measures have focused on increased decentralization as a core objective/conditionality of budgetary support modality. So far, all analysis of education outcomes has ignored political economy issues of elite capture and structure of school administration.

The devolution program in Pakistan is being undertaken with the specific objective of improving public service delivery. The underlying rationale, from theory and practice, is that power at the local level will make policy more reflective of local needs and the authorities more accountable to the electorate. But for the decentralised system of governance to work, financial, political and legal empowerment of the provincial and local tiers is important. Without adequate money and decision-making powers the local governments will be ineffective in addressing and/or correcting the problems with the existing dysfunctional system. Lack of decision-making, implementation and accountability capacity has been cited as a reason for lack of effectiveness of the local bodies in Pakistan. Studies commissioned by the government to evaluate the Local Bodies Ordinance 2002 have cited lack of capacity at the local level to effectively carry out the mandate of pro-poor service delivery. Watson and

Khan (2005) note that the authority of the local nazims is compromised by the fact that decisions regarding local teachers salaries and transfers are made at the provincial level.

One main function of the process of decentralisation should be to align the various units of government and their financial relations in a way to maximise the efficiency, equity and quality of social services. Fiscal decentralisation (financial autonomy/empowerment of the local governance structures) is an important factor in the capacity-building discourse. Decentralisation of decision-making and financial authority to local government levels is presumed to be a prescription for these ills. But a lack of capacity-building measures is compromising the initiatives taken by donors.

5. Conclusion

Assessing aid effectiveness requires judgements about the impact donors have had in reducing the resource gap in recipient countries and in influencing policy formulation. Donor interventions in financing and policy formulation in developing countries are driven by a desire to improve educational outcomes and, as a means to this end, to introduce best practices from other countries. This paper has reviewed existing academic and policy literature on public financing, on donor interventions and on education policy development with a view to elucidating the impact of aid on education in Pakistan. Education outcomes in Pakistan are far from satisfactory. Public spending on education remains low. International donors have played a significant role in channelling resources to the education sector in Pakistan via direct financial assistance as well as having an indirect influence on policy design, its direction and implementation. Assessing aid impact is a non-trivial task. Apart from progress on certain key indicators, it has proved difficult to link policy changes to micro-level outcomes. For Pakistan the problem is exacerbated by a lack of consistent and reliable data over time. Furthermore, foreign assistance to a country in the form of budgetary support means that aid money becomes indistinguishable from public spending and thus its impact is hidden. Finally, although donor influence can be detected when reading policy documents, a direct link is often difficult to establish. Notwithstanding these constraints, this review has highlighted some important areas where further research could inform the policy debate on funding education in Pakistan.

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For publication enquiries, please contact:

Communication Officer

RECOUP

Faculty of Education

184 Hills Road

Cambridge CB2 8PQ

United Kingdom

tel: (01223) 507231 e-mail: recoup@hermes.cam.ac.uk

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